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STATEMENT

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

H.B. No. 5366— AN ACT CONCERNING SURPLUS LINES INSURANCE POLICIES AND THE DUTIES OF SURPLUS LINES INSURANCE BROKERS

COMMITTEE ON INSURANCE AND REAL ESTATE

March 11, 2014

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on House Bill No. 5366. PCI is a national property casualty trade association comprised of over 1,000 member companies, representing the broadest cross-section of insurers of any national trade association. PCI member companies write approximately 49 percent of all personal lines insurance sold in Connecticut.

H.B. 5366 would amend Section 38a-308 and Section 38a-741 to explicitly impose restrictions on the insurance coverage offered by surplus lines/nonadmitted insurers. PCI is opposed to the imposition of these requirements on surplus lines/nonadmitted insurers.

Nonadmitted insurance represents that insurance coverage that consumers cannot otherwise find available in the admitted market of private insurers licensed to transact business in the state. In that situation, Connecticut surplus lines law permits the licensed surplus lines broker to export out of the jurisdiction of the state and procure such insurance coverage with an unauthorized but eligible surplus lines insurer. Critical however to this placement is the acknowledgement that such insurance, not able to be placed in the admitted market, represents a unique or nonstandard risk. As a result, the surplus lines insurer, in an effort to properly underwrite that risk, must rely on the flexibility and freedom to negotiate the coverage form. Accordingly, it would be inappropriate to impose the requirements set forth in this bill on surplus lines policies.

PCI is concerned that imposing restrictions on coverage that the surplus lines broker can procure could unduly eliminate private insurance from the nonadmitted market, in addition to the admitted market that has been vetted unavailable and could cause and/or exacerbate insurance availability issues in certain markets. Individuals or businesses obtain coverage in the surplus lines market because they are unable to procure the coverage they need in the admitted market. Imposing requirements on surplus lines insurers may reduce the availability of coverage in the surplus lines market, which would greatly reduce the insurance options available for certain individuals or businesses. Accordingly, in the interest of ensuring that CT policyholders are able to secure the insurance coverage that they need, PCI urges that this bill not be advanced.

For all of the foregoing reasons, PCI urges the committee NOT to advance this bill.